

## Message Text

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PAGE 01 ISTANB 02848 150417Z  
ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 EB-04 DOE-01 SOE-01 L-01  
ACDA-10 CIAE-00 DODE-00 H-01 INR-05 NSAE-00 NSC-05  
OMB-01 PM-03 SP-02 TRSE-00 /057 W  
-----038884 150421Z /23

R 131226Z SEP 78  
FM AMCONSUL ISTANBUL  
TO SECSTATE WASHDC 354  
INFO AMEMBASSY ANKARA  
AMCONSUL IZMIR  
AMCONSUL ADANA

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LIMDIS

C O R R E C T E D C O P Y (TEXT CORRECTED)

E.O. 11652: N/A  
TAGS: ENRG, US, TU, BDIS  
SUBJECT: MOBIL SAYS DIALOGUE WITH GOT CONTINUING

SUMMARY: DURING NEW EMBASSY COMATT'S INITIAL CALL, MOBIL  
PRESIDENT MARC CASANOVA SAID THAT MOBIL ATAS REFINERY  
CISCUSSIONS WITH TURKISH GOVERNMENT ARE CONTINUING.  
MOBIL HAS RECEIVED INFORMAL RESPONSE TO ITS INTIAL PROPOSAL  
AND CASANOVA CONSIDERS THIS INFORMALITY TO BE POSITIVE SIGN.  
CASANOVA FEELS THAT EVEN IF MOBIL EVENTUALLY NEGOTIATES  
ACCEPTABLE DEAL, HE FEARS THAT IN MEANTIME ITS MARKETING  
SYSTEM WILL BE DECIMATED BY THE ERRATIC SUPPLY OF REFINED  
PRODUCTS IT IS NOW RECEIVING FROM STATE OIL REFINERIES OF  
TPAO. CASANOVA PERCEIVES THIS SQUEEZE AS ATTEMPT BY  
STATE MARKETING NETWORK, PETROL OFISI, TO BUILD UP ITS  
MARKET SHARE AT MOBIL'S EXPENSE. END SUMMARY.

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PAGE 02 ISTANB 02848 150417Z

2. NEW COMATT, ALONG WITH CONGEN AND EMBASSY OFFICERS,  
PAID CALL ON MOBIL PRESIDENT MARC CASANOVA SEPTEMBER 12.  
CASANOVA SAID THAT HE HAD BEEN INTERMITTENT CONTACG  
WITH GOT OFFICIALS IN ANKARA, ESPECIALLY ISMAIL ERTAN,  
HEAD OF TPAO. HOWEVER, NOTED CASANOVA, SINCE FIVE  
GOT ENTITIES (TPAO, PETROL OFISI, MINISTRY OF ENERGY  
AND NATURAL RESOURCES, MINISTYR OF FINANCE, AND CENTRAL

BANK) ARE INTERESTED IN MOBIL'S VARIOUS PROBLEMS,  
COORDINATED GOT RESPONSES ARE SLOW IN COMING.

3. CASANOVA SAID HE HAD RECENTLY BEEN HANDED DRAFT GOT  
RESPONSE TO MOBIL OFFER. HE APPRECIATED THE INFORMALITY OF  
THIS MODE OF RESPONDING, AS IT IMPLIED SOME FLEXIBILITY IN  
GOT POSITIONS. ELEMENTS OF RESPONSE HIGHLIGHTED BY  
CASANOVA WERE AS FOLLOWS:

--- MOBIL'S FUTURE IN MARKETING: GOT SEEMS TO BE BACKSLIDING  
ON INITIAL OFFER TO SUPPLY 10-YEAR GUARANTEE OF REFINED  
PRODUCTS FOR MOBIL'S MARKETING NETWORK. GOT HAS SAID  
IT WOULD SUPPLY MOBIL ONLY FROM ATAS, WHICH WOULD  
EFFECTIVELY WIPE OUT MOBIL'S NETWORK IN IZMIR AND ISTANBUL  
DUE TO TRANSPORTATION COSTS. ALSO, THE GOT COUNTERED  
MOBIL'S OFFER OF BASING AMOUNT IT NEEDS OVER NEXT 10 YEARS  
ON ITS 1977 MARKET SHARE WITH OFFER TO SUPPLY ONLY ABSOLUTE  
AMOUNT SOLD BY MOBIL THAT YEAR. CASANOVA FEELS THAT  
AMOUNT WOULD ONLY BE PROFITABLE FOR FIRST FEW YEARS AT BEST.  
MOBIL FEELS BOTH THESE POINTS ARE NEGOTIABLE.

--- MOBIL'S LIABILITIES. MOBIL FLATLY STATED THAT ALL OF ITS  
CURRENT LIABILITIES IN ATAS WERE TO BE ASSUMED BY TPAO.  
TPAO. APPARENTLY COUNTERED WITH OFFER TO ASSUME SOME,  
BUT NOT ALL. CASANOVA DID NOT ELABORATE FURTHER.

--- COMMITMENT TO IMPORT CRUDE. MOBIL HAS BEEN ASKED  
ON FOUR OCCASIONS, ACCORDING TO CASANOVA, WHY IT IS ADAMANT  
ON BEING RELIEVED OF ANY OBLIGATION TO IMPORT CRUDE INTO  
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PAGE 03 ISTANB 02848 150417Z

TURKEY. CASANOVA HAS REPLIED THAT MOBIL HAS IN FACT BEEN  
LOSING ON ITS REFINING OPERATION, GIVEN TURKEY'S FIXED PRICES  
FOR IMPORTED CRUDE. CASANOVA SAYS GOT IS ONLY NOW  
REALIZING THAT MOBIL MAY IN FACT NOT HAVE REALIZED HIDDEN  
PROFITS ON REFINING OPERATION OVER PAST YEARS.

--- EVALUATION OF MOBIL'S ASSETS. WHEREAS IN INITIAL  
DISCUSSIONS, GOT OFFERED MOBIL QUOTE FAIR MARKET VALUE  
UNQUOTE FOR ITS SHARE IN ATAS, NOW IT IS INSISTING ON  
REVISED BOOK VALUE. THIS IS TOTALLY UNACCEPTABLE TO MOBIL--  
AS CASANOVA REMARKED, 25 TIMES ZERO IS STILL ZERO, AND  
MOBIL FEELS ITS SHARE OF ATAS WORTH MORE.

4. CASANOVA ALSO STATED THAT ONE OF ATAS PARTNERS, SHELL,  
APPEALED TO MINISTER OF ENERGY AND NATURAL RESOURCES  
DENIZ BAYKAL FOR EXEMPTION FROM GOT TAKEOVER MOVES.  
ACCORDING TO CASANOVA, SHELL RECEIVED FLAT NO, AS BAYKAL  
EXPLAINED THAT IT WAS THE CURRENT GOVERNMENT'S POLICY  
THAT OIL REFINING FACILITIES IN TURKEY SHOULD BE STATE-OWNED.

5. CASANOVA ALSO SAID THAT, WHILE PRICES OF REFINED PRODUCTS  
WAS INCREASED THAT DAY, THE BENEFIT WOULD NOT BE PASSED ALONG  
BY GOT TO THE REFINERS SINCE THAT WOULD BENEFIT THE FOREIGN

OIL COMPANIES AS WELL AS TPAO. ONCE ATAS IS COMPLETELY STATE-OWNED, THE GOT UNDOUBTEDLY WILL ADJUST THE REFINING MARGINS, BUT IT DOES NOT WANT TO GIVE MOBIL, SHELL OR BP ANY SUCH SATISFACTION AT THE MOMENT. CASANOVA SAID THAT THE MAIN BENEFIT OF THE PRICE INCREASE WILL ACCRUE TO THE STATION OWNERS, WHO HAD THREATENED TO CUT OFF SALES BY SEPTEMBER 15 IF PUMP PRICES WERE NOT RAISED (INDEED POSTERS TO THAT EFFECT HAD BEEN ERECTED IN CENTRAL ISTANBUL BY THE GAS STATION OWNERS' UNION).

6. FINALLY, CASANOVA NOTED THAT MOVIL IS STILL BEING SQUEEZED BY PETROL OFISI ON SUPPLY OF REFINED PRODUCTS. SOME STATIONS IN ISTANBUL HAVE BEEN DRY FOR MORE THAN THREE MONTHS. SOME 32 MOBIL STATIONS HAVE DEFECTED TO PETROL OFISI SURING LIMITED OFFICIAL USE

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PAGE 04 ISTANB 02848 150417Z

THAT PERIOD, BUT CASANOVA SAID ALL BUT 8 OF THEM WERE UNPROFITABLE AND DUE TO BE CLOSED ANYWAY. (MOBIL ALSO OWNES DIRECTLY 60 PERCENT OF ITS STATIONS, AT LEAST IN ISTANBUL, THUS GIVING IT SOME CUSHION.) HOWEVER, IF SHORTAGE CONTINUES, MOBIL WILL START TO LOSE MORE STATIONS--SO THAT EVEN IF AGREEMENT IS REACHED WITH GOT, IT MAY LOSE INTEREST IN STAYING IN MARKETING BUSINESS. CASANOVA VIEWS THIS AS ATTEMPT BY PETROL OFISI TO EXPAND AT MOBIL'S EXPENSE, ESPECIALLY IN ISTANBUL AREA.

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